

COMMENTARY

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New City Hall: Wrong Project, Wrong Priority

By Carl DeMaio

What's wrong with this picture? The City of San Diego is still in its worse financial crisis in its history, faces billions in debt for pension and retiree healthcare obligations, is \$900 million behind on maintenance of public infrastructure, and only 37% of our city's roads are rated in "acceptable" condition by national benchmarks.

So what are city leaders poised to do? Build a new City Hall!

This week the City of San Diego released designs from two competing developers proposing the construction of a new civic complex—complete with new offices for the Mayor and City Council and 700,000 square feet of office space for city workers. A private developer would be given development rights to a portion of the civic complex in exchange for building (and then renting to the city) a new City Hall. Project backers are making the bold claim that the entire project will actually end up saving the city money in the long run.

While I have long been a champion of public-private partnerships, I have serious reservations about proceeding forward with a new City Hall.

Not only do I question the financial assumptions being used to make the claim that the project "saves money," but I strongly believe our top priorities in infrastructure investment should be repairing streets and improving public safety facilities and equipment. In short, I fear that a new City Hall is the wrong project at the wrong time.

The project explicitly assumes long-term "cost avoidance" savings to justify the financial projections. Translation: the city is taking a "stop me before I spend" approach to projecting cost savings on this project.

Let me put this approach to financial forecasting in everyday terms. Your spouse wants to buy a brand new house. To convince you it is actually financially advantageous, your spouse gives you a list of improvements to remodel your current house. Your spouse then projects an increase in the family and presumes a need for more storage space. Your spouse therefore adds a rental unit to the forecast. At the same time, you are financially in over your head as it is—your car is broken, your kids do not have money for college, and you face massive credit card debt. Do you make the leap, buy the house, and hope the financial savings materialize? Or do you question your spouses' assumptions, raise the need to fund other priorities first, and suggest alternatives?

Let's take a closer look at the financial assumptions being made by project backers. First, the project assumes a staggering \$125 million price tag to renovate the existing City Hall complex. Anyone who has visited City Hall will readily admit the building is in sad shape. No doubt some of these improvements need to be made to extend the life of the facility, but the list of repairs and improvements is loaded up like a Christmas tree. Certainly we do not have to make all of the proposed renovations, and as such the \$125 million figure ought to be questioned before being blindly accepted in any project financial assessment.

The second element of purported financial savings comes in the form of "lease savings" projected over the next 50 years. The City currently leases \$13.5 million worth of office space in commercial buildings—leases that expire in the next 4 years and may be subject to rent increases. The project presumes not only the base \$13.5 million but hefty escalators to inflate the cost of not building a new City Hall.

However, there are several problems with that rationale. First, a recent study indicates that the city currently uses 30% more space downtown than it actually needs. The city currently rents 1 million square feet when it could get by on 700,000 square feet.

Second, the long-term financial forecast assumes a 0.6 percent increase in the size of the city workforce annually. At a time when the city faces a structural budget deficit, we need to be cutting the size of the city workforce, not expanding it.

The city recently committed to managed competition—wherein we can reduce the size of the city workforce. An added benefit of managed competition is in many cases it shifts the financial responsibility for providing offices for staff to contractors who win the competitions for city functions. Instead of debating the design of a new City Hall to house a large city workforce, let's get aggressive with cutting back the size of the city workforce today, and in four years, we may be ready to actually give up those leases that are slated to expire.

Finally, the city ought to consider harnessing the potential of all of its office space across the city and redeploying some staff outside of downtown. Take the criminal division of the city attorney's office for example. How about locating them in the new court complex being planned? Or how about co-locating our criminal division with the District Attorney's criminal division to not only save office space, but encourage mentorship and coordination between the two law enforcement entities.

Like other cities across the nation, we need to embrace new thinking about how and where we deploy our city workforce. Let's get city workers closer to the citizen and into front-line service positions, rather in a big centralized building downtown.

Switching gears from the financial assumptions, I question the appropriateness of making a new City Hall a priority when we are so far behind on community infrastructure. The city ought to be looking at all of its assets to generate resources to fund street repairs and public safety infrastructure in our neighborhoods.

Not only is community infrastructure lost in this discussion, but the city bureaucracy's handling of this project—and several other high profile projects—demonstrates they lack a global view to asset management. We have one group working on a new downtown library. We have another group proposing expanding the convention center. Yet another group is starting to talk about the Sports Arena. And of course we have a whole team working on this new City Hall project.

Yet no one is talking to each other to see how to leverage these existing assets to not only achieve some of the individual project objectives, but free up resources to invest in community infrastructure. We need a global and strategic view—and it is my hope that the questions I am raising on the new City Hall will get that kind of creative thinking going.

The city taxpayers have been burned in the past on rosy financial projections. Instead of taking its time to conduct adequate financial reviews, the city is slated to approve this project in the next 75 days—yes, 75 days. What's worse, the outgoing City Council is scheduled to vote on the project in November—the same City Council that has dropped the ball on so many financial issues during the past eight years. The questions surrounding this project require more time to review the financial assumptions as well as time to explore more creative alternatives. That job should be left to the incoming City Council.

While raising questions on the proposed new City Hall may upset some who want to see quick action on what they consider a magnificent revitalization project around the civic complex, I ran on a platform of being the taxpayers' watchdog and asking tough questions. That is exactly what I am going to do on this and other high-risk projects: ask tough questions, challenge assumptions, and hopefully produce a better and more financially responsible outcome for the taxpayers.

Carl DeMaio was elected to the San Diego City Council on June 3, 2008 and assumes office in December.